

Message Text

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E.O. 11652: GDS

TAGS: SAB KS

SUBJECT: NEW SOCIAL SECURITY SCHEME UNDER REVIEW

REF: SEOUL 6441

1. THE SEPT 20 ANNOUNCEMENT OF ROKG INTENTION TO IMPLEMENT NEW SOCIAL SECURITY SCHEME (REFTEL) EVOKED IMMEDIATE SHARP CRITICISM FROM PRESS, BUSINESS COMMUNITY, POLITICAL PARTIES, AND TRADE UNIONS TO EFFECT THAT GOVERNMENT WAS INTRODUCING ESSENTIALLY FORCED SAVINGS AND TAXATION SCHEME TO FINANCE HEAVY INDUSTRY PLAN UNDER GUISE OF SOCIAL SECURITY. PROPOSED CONTRIBUTIONS WERE CONSIDERED TOO HIGH AND INTERIM AS WELL AS EVENTUAL FULL PROTECTION FOR RETIRED, DISABLED OR SURVIVING PERSONS ONLY MINIMAL.

2. ON SEPT 27 MINISTER OF HEALTH ATJ SOCIAL AFFAIRS ANNOUNCED IN NATIONAL ASSEMBLY THAT NO SUBSTANTIAL CHANGES WOULD BE MADE IN TEXT AS SUBMITTED. HOWEVER, FOLLOWING DAY PRIME MINISTER, RESPONDING TO PROTESTS, OFFERED TO POSTPONE VOTE AND PERMIT RE-EXAMINATION OF LAW.

3. LAST WEEK REPRESENTATIVES OF MIN HEALTH AND SOCIAL AFFAIRS, EPB, AND MIN OF COMMERCE AND INDUSTRY REPORTEDLY AGREED TO LOWER CONTRIBUTION

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RATE FOR EMPLOYEES FROM FOUR TO THREE PERCENT,

BUT TO RETAIN FOUR PERCENT EMPLOYERS' CONTRIBUTION. HOWEVER, ACCORDING TO GOVERNMENT SOURCE, EMPLOYERS' CONTRIBUTIONS FROM INCEPTION WERE TO BE TAX DEDUCTIBLE, THUS REDUCING THEM EFFECTIVELY TO ABOUT 2.5 PERCENT.

4. OTHER AREAS UNDER STUDY INCLUDE RAISING WAGE FLOOR BELOW WHICH EMPLOYERS ARE SELELY RESPONSIBLE FOR CONTRIBUTIONS; AVAILABILITY OF REDUCED PENSIONS AT EARLIER RETIREMENT AGE FOR PROFESSIONS WHERE RETIREMENT BELOW AGE OF 60 IS MANDATORY: IMMEDIATE VOLUNTARY OPTION OF PARTICIPATION BY WORKERS IN SMALLER ENTERPRISES NOT YET COVERED BY LAW: GOVERNMENT CONTRIBUTIONS TO SCHEME AND GUARANTEE OF BENEFIT PAYMENTS: AND COST OF LIVING ADJUSTMENTS OF BENEFITS.

5. COMMENT: NO FINAL GOVERNMENT DECISION HAS YET BEEN MADE ON CHANGING THE PROVISIONS OF SOCIAL SECURITY LAW AS SUBMITTED. DESPITE PUBLIC PROTESTS ROYG IS UNWILLING TO MODIFY SIGNIFICANTLY FORCED SAVINGS AND INVESTMENT ASPECT OF SCHEME OR DELAY IMPLEMENTATION BEYOND JANUARY 1, 1974. HOWEVER, TO COUNTER PUBLIC CRITICISM IT APPEARS NOW READY TO PERMIT SOME MINOR ADJUSTMENTS IN THE AREAS INDICATED ABOVE.
HABIB

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